



Why Shopify Stock Crashed Over 18% Wednesday

Description

What happened?

The shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) crashed by more than 18% on Wednesday after the company announced its fourth-quarter results. SHOP stock, which was already among the worst-performing **TSX Composite** components until yesterday, is now trading at \$926 per share with more than 47% year-to-date losses compared to a nearly 1% gain in the market benchmark.

So what?

Earlier this morning, Shopify revealed that its December quarter total revenue stood at US\$1.38 billion, showcasing about a 41% increase on a year-over-year basis. While its adjusted earnings for the quarter fell by about 14% from a year ago to US\$1.36 per share, it still managed to beat analysts' consensus estimates for its Q4 earnings. Moreover, all of Shopify's key financial and operational metrics reflected the continuation of a strong growth trend, as I talked about in my [Shopify's detailed earnings review](#) article earlier today.

Despite its better-than-expected Q4 financial results, Shopify's 2022 outlook seemingly failed to impress investors. In the ongoing year, the Canadian e-commerce firm expects its year-over-year revenue-growth rate to be lower than 2021's 57%. To justify this slowdown in its revenue growth, Shopify highlighted that it [expects](#) "the COVID-triggered acceleration of ecommerce" to subside this year. That's why its 2022 outlook could be the main reason why SHOP stock crashed by over 18% today.

Now what?

[I expected Shopify to beat analysts' Q4 earnings](#) estimates due to a consistent demand for e-commerce services amid the prolonged pandemic. And to be honest, it also makes sense to me that the company expects its revenue YoY growth rate to decline in the post-pandemic world. No one can

expect COVID-related factors to benefit Shopify's business forever. That's why this announcement didn't come as a big surprise for me.

Overall, We shouldn't forget that Shopify is speeding up its efforts to expand its business in the global market this year, which would help it significantly increase its market reach and minimize its overall risk profile. Given all these factors, I believe today's massive selloff in SHOP stock is overdone. That said, you may still want to wait for its huge volatility to settle before buying it — especially if you have a low-risk appetite.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jparashar
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/08/26

Date Created

2022/02/16

Author

jparashar

default watermark

default watermark